

Internal Revenue Service

Department of the Treasury

District
Director

Person to Contact:

Telephone Number:

Refer Reply to:

Date:

JUN 07 1984

Dear Applicant:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1954.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

Your Articles of Incorporation provide, in part, that you are organized "to unite those engaged in the recognized branches of the real estate business in this community for the purpose of exerting a beneficial influence upon matters affecting the real estate business and related interests." You provide a multiple listing service for your members; help provide continued education on current real estate practices; and provide a local agency for licensees and businesses in the real estate fields who wish to be part of [REDACTED]. You also provide two scholarships to graduating seniors in the area.

The multiple listing service is a committee of the organization which receives listings and sales information, copies and disperses the information to members. Members using this service pay dues to cover expenses of the service, which include secretarial wages, postage, mileage, copies, etc. Members also pay dues which are turned over to the State and National Realtor organizations. Educational programs consist of occasional speakers brought in, usually at their own expense, to keep members informed of all phases of real estate.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues, chambers of commerce, real estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of Income Tax Regulation states, in part, as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest....It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons."

[REDACTED]

It is the position of the Internal Revenue Service that the operation of a real estate multiple listing service is inherently designed for the rendering of particular services for individual board members as a convenience and economy in the conduct of their respective businesses. Therefore, an organization so operated, instead of primarily engaging in activities for the improvement of business conditions within the real estate business generally, is performing particular services for its members through the maintenance and operation of its multiple listing system by providing them with listings of properties for sale which serve them as a convenience and economy in the conduct of their businesses. We further conclude that the operation of a real estate multiple listing service constitutes a business of a kind ordinarily carried on for profit. In this connection see Revenue Ruling 59-234, Cumulative Bulletin 1959-2 Page 149.

Based on the information submitted, we hold that your primary activity is the operation of a multiple listing service, which constitutes the performance of particular services for your members. Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code. Accordingly, you are required to file Federal income tax returns on Form 1120.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement Form 6018. Please note the instructions for signing on the reverse side of this form.

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a hearing. The hearing may be held at the office of Regional Director of Appeals or, if you request, at a mutually convenient District Office. A self-addressed envelope is enclosed.

Sincerely yours,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018

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